

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name South Kalamazoo County Fire Authority	County KALAMAZOO
Audit Date 3/31/06	Opinion Date 10/2/06	Date Accountant Report Submitted to State: 12/26/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Siegfried Crandall PC

Street Address

246 East Kilgore Road

City

Kalamazoo

State

MI

ZIP

49002-5599

Accountant Signature

Siegfried Crandall P.C.

Date

12/26/06

South Kalamazoo County Fire Authority
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2006

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INDEPENDENT AUDITORS' REPORT

**Members of the Board
South Kalamazoo County Fire Authority**

We have audited the accompanying financial statements of the governmental activities and the major fund of the South Kalamazoo County Fire Authority as of and for the year ended March 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of South Kalamazoo County Fire Authority as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on page 9, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The South Kalamazoo County Fire Authority, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

October 2, 2006

BASIC FINANCIAL STATEMENTS

South Kalamazoo County Fire Authority

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

March 31, 2006

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Cash	\$ 62,910	\$ -	\$ 62,910
Due from other governmental units	6,292	-	6,292
Capital assets, net	<u>-</u>	<u>521,743</u>	<u>521,743</u>
Total assets	<u>\$ 69,202</u>	<u>\$ 521,743</u>	<u>590,945</u>
LIABILITIES			
Payables	\$ 22,589	\$ -	22,589
Deferred revenue	<u>33,311</u>	<u>-</u>	<u>33,311</u>
Total liabilities	55,900	<u>-</u>	<u>55,900</u>
FUND BALANCE			
Unreserved, undesignated	<u>13,302</u>	<u>(13,302)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 69,202</u>		
NET ASSETS			
Investment in capital assets		521,743	521,743
Unrestricted		<u>13,302</u>	<u>13,302</u>
Total net assets		<u>\$ 535,045</u>	<u>\$ 535,045</u>
Total fund balance			\$ 13,302
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			
			<u>521,743</u>
Total net assets			<u>\$ 535,045</u>

See notes to financial statements

South Kalamazoo County Fire Authority**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES**

Year ended March 31, 2006

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
REVENUES			
Contributions from local units	\$ 355,223	\$ -	\$ 355,223
Interest	2,404	-	2,404
Other	1,554	-	1,554
	<u>359,181</u>	<u>-</u>	<u>359,181</u>
EXPENDITURES/EXPENSES			
Public safety	336,792	55,914	392,706
Capital outlay	161,507	(161,507)	-
	<u>498,299</u>	<u>(105,593)</u>	<u>392,706</u>
NET CHANGE IN FUND BALANCE/NET ASSETS	(139,118)	105,593	(33,525)
FUND BALANCE/NET ASSETS - BEGINNING	<u>152,420</u>	<u>416,150</u>	<u>568,570</u>
FUND BALANCE/NET ASSETS - ENDING	<u>\$ 13,302</u>	<u>\$ 521,743</u>	<u>\$ 535,045</u>

Net change in fund balance \$ (139,118)

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$179,000) exceeded depreciation (\$73,407) .

105,593

Change in net assets \$ (33,525)

See notes to financial statements

South Kalamazoo County Fire Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the South Kalamazoo County Fire Authority (the Authority) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

The Authority was established June 26, 1999, to jointly provide fire protection services within the member municipalities in Southern Kalamazoo County, Michigan. The Authority is comprised of the Villages of Schoolcraft and Vicksburg, and the Townships of Brady, Prairie Ronde, Schoolcraft, and Wakeshma. Costs of operations and capital expenditures are supported by contributions from the participating municipalities.

b) Basis of accounting:

The statement of net assets and the statement of activities are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

c) Assets and liabilities:

i) Bank deposits and investments - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

ii) Capital assets - Capital assets, which include land, buildings, equipment, and vehicles, are defined by the Authority as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

South Kalamazoo County Fire Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Assets and liabilities:

ii) Capital assets (continued) - Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment	10 - 20 years
Vehicles	5 - 15 years

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the governing body is the line-item level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth the significant budget variance:

<u>Fund</u>	<u>Function/Activity</u>	<u>Line-item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety - fire protection	Operating supplies	\$ 27,200	\$ 40,212	\$ 13,012
		Repairs and maintenance	59,220	64,740	5,520
		Insurance	38,500	40,749	2,249
		Utilities	15,000	17,287	2,287
		Miscellaneous	-	3,325	3,325

NOTE 3 - CASH:

State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2006, the Authority's bank balances of \$52,767 were fully insured, and were, therefore, not exposed to custodial risk.

NOTE 4 - OPERATING LEASES:

The Authority leases three stations from the Village of Schoolcraft, Wakeshma Township, and the Village of Vicksburg under agreements that have been classified as operating leases. The terms of the lease agreements between the Authority and the participating local units of government are in effect through August 31, 2007. Lease expense for the period ending March 31, 2006, was \$15,000.

South Kalamazoo County Fire Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the Authority for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated:				
Equipment	216,387	23,000	-	239,387
Vehicles	754,400	156,000	-	910,400
Subtotal	970,787	179,000	-	1,149,787
Less accumulated depreciation for:				
Equipment	103,297	26,117	-	129,414
Vehicles	456,340	47,290	-	503,630
Subtotal	559,637	73,407	-	633,044
Total capital assets being depreciated, net	411,150	105,593	-	516,743
Governmental activities capital assets, net	\$ 416,150	\$ 105,593	\$ -	\$ 521,743

NOTE 6 - PAYABLES:

Payables as of year end for the Authority are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Total</u>
General	\$ 11,311	\$ 11,278	\$ 22,589

NOTE 7 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year deferred revenues consisted of unearned insurance reimbursements.

NOTE 8 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

South Kalamazoo County Fire Authority
BUDGETARY COMPARISON SCHEDULE - Operating Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Contributions from local units	\$ 353,660	\$ 353,660	\$ 355,223	\$ 1,563
Interest	800	800	2,404	1,604
Other	-	-	1,554	1,554
Total revenues	<u>354,460</u>	<u>354,460</u>	<u>359,181</u>	<u>4,721</u>
EXPENDITURES				
Public safety:				
Wages and payroll taxes	116,000	116,000	102,024	13,976
Office supplies	850	850	651	199
Operating supplies	21,700	27,200	40,212	(13,012)
Professional services	4,250	6,050	5,477	573
Telephone and communications	31,660	41,660	43,281	(1,621)
Repairs and maintenance	33,350	59,220	64,740	(5,520)
Insurance	38,500	38,500	40,749	(2,249)
Utilities	14,250	15,000	17,287	(2,287)
Lease	15,000	15,000	15,000	-
Education and training	10,500	8,530	4,046	4,484
Miscellaneous	350	-	3,325	(3,325)
Total public safety	<u>286,410</u>	<u>328,010</u>	<u>336,792</u>	<u>(8,782)</u>
Capital outlay	<u>68,050</u>	<u>161,650</u>	<u>161,507</u>	<u>143</u>
Total expenditures	<u>354,460</u>	<u>489,660</u>	<u>498,299</u>	<u>(8,639)</u>
NET CHANGE IN FUND BALANCES	-	(135,200)	(139,118)	(3,918)
FUND BALANCES - BEGINNING	<u>152,420</u>	<u>152,420</u>	<u>152,420</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 152,420</u>	<u>\$ 17,220</u>	<u>\$ 13,302</u>	<u>\$ (3,918)</u>